

Building a Spending Plan: Step 1—What Are Your Goals?¹

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Everybody needs to learn how to manage money. Good money management includes being able to pay your monthly bills, save for the future, and buy the things you need and want without creating unmanageable debt. A spending plan can be a helpful money management tool. You can master the skills of money control and learn to conserve your income by using knowledgeable spending. Planning can help you extend your buying power. Good spending habits foster financial security and develop wise use of credit.

By following this 6-step exercise, you can build a spending plan based on your finances (for the consecutive steps in this series, visit http://edis.ifas.ufl.edu/topic_series_building_a_spending_plan). You can decide if you want to reduce debt, save to buy items for your home, or better control spending so you can pay bills on time. You decide what you want to achieve with your money, and your spending plan will help show you how you can do it.

The first step in building your spending plan requires you to write down your financial goals. One method of doing this is to think about what you want to achieve financially within a certain number of months. What do you want in the future? What do you want right now? Do you want to save money for a bicycle for your daughter's sixth birthday later this year? What do you want later that will take you longer to save for? Do you want to save money for a down payment on a house?



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If you want to achieve your goals in a time less than a year away, then those goals are classified as short-term goals. If your goals will require more than a year to achieve, then they are long-term goals.

You may find it helpful to include the following information in each financial goal:

- What is the money going to be used for?
- How much money is required?
- By what date do you want to do this?

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Try writing some of your financial goals in the following charts:

Short-Term Financial Goals (less than a year from now)		
Purpose?	Amount of money?	By when?
1.		
2.		
3.		

Long-Term Financial Goals (more than a year from now)		
Purpose?	Amount of money?	By when?
1.		
2.		
3.		

You can now add up the money required for your short-term and long-term goals. These totals show you what you want to achieve with your money. Following the rest of the steps in the *Building a Spending Plan* series (http://edis.ifas.ufl.edu/topic_series_building_a_spending_plan) will help you find that money to fulfill your financial goals.

Before setting your goals aside and moving to the next step, read your goals again and see if they are SMART goals. SMART stands for goals that are **S**pecific, **M**easurable, **A**ttainable, **R**ealistic, and **T**imely. If you answered the three questions (purpose, amount of money, and by when) when you wrote your financial goals, you have goals that are specific and measurable.

Attainable goals are ones that actually have an end point.

Realistic goals are ones that are based on your actual financial situation. Setting too high a standard can make you feel less confident about reaching it.

Timely goals are ones that coincide with your needs. Plan to have the money by the time you need it—for example, you'll need the money for the birthday bicycle or the down payment on the house.

Writing SMART goals will help insure that you are able to reach your spending goals. It takes commitment and effort to make financial goals a part of your daily life. To learn more about SMART goals read *Goals and Standards in Resource Management*, FCS7055 (<http://edis.ifas.ufl.edu/he169>).

If you are experiencing a money crunch and want to start building a spending plan, then you might want to read *Coping with a Money Crunch: Values, Goals and Standards*, FCS7006 (<http://edis.ifas.ufl.edu/fy228>). It will help you define your needs and wants so you can better prioritize your financial goals.